

News Release



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Labor Department Protects Employee Health Premium Payments Against Bankruptcy Claims with Default Judgment

DETROIT, Mich. — The U. S. Bankruptcy Court for the Western District of Michigan has entered a default judgment against Jeffrey M. Grenke, owner of defunct American Tool & Mold Inc., St. Joseph, Mich. The judgment removes from bankruptcy proceedings Grenke's liability for failing to forward employee premium withholdings and employer contributions to the company's health plan insurance carrier.

American Tool & Mold ceased operating on Sept. 30, 2002, and Grenke filed for Chapter 7 personal bankruptcy on Jan. 31, 2003. The health plan was funded by premium contributions withheld from employees' paychecks and by employer contributions. The health plan's insurance coverage was terminated effective May 31, 2002, by the plan's insurer for non-payment of premiums. Despite that fact, American Tool & Mold continued to withhold premiums from employee payroll checks through June 2002, and did not advise employees of the health insurance coverage termination until July 3, 2002.

The department asked the U.S. District Court in October 2004 to require Grenke to restore to the health plan any losses resulting from their failure to forward premiums to the health plan provider.

"Trustees of an employee health plan have a responsibility to ensure that workers receive the health coverage for which they are paying. One of the most important responsibilities is putting money from workers' wages into their health premiums on time," said Joseph Menez, director of the Employee Benefits Security Administration's (EBSA) Cincinnati regional office that investigated the case.

Employers and workers can contact the regional office at (859) 578-4680 or EBSA's toll free number, 1-866-444-3272, for help with problems relating to private-sector pension and health plans.

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(Chao v Grenke)
Case No.: 03-01231-jrh
Adv. Case No.: 04-88702-jrh

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